



Investment commentary

HSBC Global Equity Climate Change Fund of Fund

An open ended fund of fund scheme investing in HSBC Global Investment Funds – Global Equity Climate Change

January 2022

HSBC Global Equity Climate Change Fund of Fund (HGECF)¹ HGIF Global Equity Climate Change (HGECC) – Underlying Fund – Investment Commentary

Our approach, positioning and key takeaways

- We are closely monitoring the exposure of our portfolio names to the disruption caused by **temporary supply chain constraints**
- **No material changes to the portfolio** were made during the month
- Our measure of the **global equity risk premium continues to look attractive** (excess return over cash)
- We continue to make **use of price volatility to add to our key holdings** and stocks where we are positive on fundamentals

Performance Synopsis

- Portfolio lost some value as **equity markets consolidated driven by fears of tightening of monetary policy**
- Investment approach is bottom-up driven, therefore sector / country positioning are residual to the stock selection process
- Portfolio will behave differently in the short term to the wider equity markets as it represents a very small subset (44 / 3,000 names)
- Thematic exposure to decarbonisation and energy transition processes means that the **sectoral make-up of this portfolio is different** from any reference global benchmark
- This leads to a **concentration in Industrials, Materials and IT** as the main enablers and beneficiaries of these dynamics
- Allocation to the **IT and Industrials sector drove the performance**, with stock selection in IT a notable contributor
- **Renewable energy remained a headwind** to performance due to ongoing Inflationary cost pressures & supply chain disruptions

Top contributors to performance

- **Accenture, Schneider Electric and Impax Asset Management.**
- Accenture, a US-based consulting company, rose as it delivered expectations-beating earnings results, with organic growth accelerating to new highs following strong demand for digital transformation.
- Schneider Electric, a France-based electrical manufacturing and energy technology company, rallied as investors responded positively to the company's new revenue growth and operating margin ambitions for the medium term.
- Impax Asset Management, a UK-based asset manager, moved higher after a sell-side earnings estimate upgrade on the back of strong quarterly earnings results.

Top detractors to performance

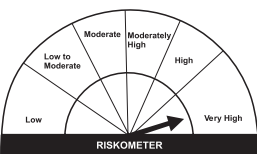
- **Hellofresh, First Solar and Vestas.**
- Hellofresh, a Germany-based online meal kit provider, fell after announcing greater investment needs to support its growth opportunities at its investor day.
- First Solar, a US-based solar module manufacturer, slid as a US democratic senator opposed Joe Biden's Build Back Better spending plan, which included substantial funding for renewable energy development.
- Vestas, a Denmark-based wind turbine manufacturer, dropped as the company indicated weakness in near-term turbine orders and cautioned cost headwinds in 2022.

Outlook

- The global economy is **entering the expansion phase** of the economic cycle.
- **Supportive fiscal and monetary policy** combined with the positive vaccine rollout has boosted growth for the US and Europe.
- Supply chain pressures have translated into high inflation in recent months, inflation likely to remain contained over a medium term.
- **Risks** – Concerns around the **resurgence of COVID**. Policy mistakes are also possible - **premature withdrawal of monetary support. Persistent inflationary pressures** could trigger higher government bond yields which pose a risk to current pricing.
- Investing in structural change (climate change) means the portfolio exposed to companies with attractive long term growth profiles.
- The power of the underlying theme is being **overpowered in the short term by the rotation caused by the ratcheting up in yields** in response to inflationary fears and the desire to restore monetary policy to a more "normal" footing post pandemic.
- **When rates used for discounting future cash flows rise** it is understandable that **this hits stock values in the short term.**
- **The fund puts these structural changes at the heart of its exposures** and will benefit from doing so over the longer term.
- Investing with a long term time horizon means experiencing periods of short term volatility and that has to be dealt with **patience and conviction**. It can also provide opportunities to add value by increasing weights in those stocks most impacted by the sell-off.
- **Climate Change is the ultimate megatrend** and identifying its solutions is an enormous commercial **and investment opportunity. Longer term outlook for theme remains and is only getting stronger.**

HSBC Global Equity Climate Change Fund of Fund Riskometer

HSBC Global Equity Climate Change Fund of Fund



Investors understand that their principal Will be at Very High risk

Fund of Funds (Overseas) - An open ended fund of fund scheme investing in HSBC Global Investment Funds – Global Equity Climate Change

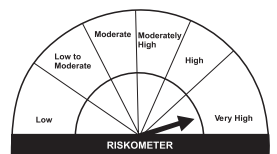
This product is suitable for investors who are seeking##:

- To create wealth over long term.
- Investment predominantly in companies positioned to benefit from climate change through fund of funds route

##Investors should consult their financial advisers if in doubt about whether the product is suitable for them.

Please note that the above risk-o-meter is as per the product labelling of the Scheme available as on the date of this communication/ disclosure. As per SEBI circular dated October 5, 2020 on product labelling (as amended from time to time), risk-o-meter will be calculated on a monthly basis based on the risk value of the scheme portfolio based on the methodology specified by SEBI in the above stated circular. The AMC shall disclose the risk-o-meter along with portfolio disclosure for all their schemes on their respective website and on AMFI website within 10 days from the close of each month. Any change in risk-o-meter shall be communicated by way of Notice cum Addendum and by way of an e-mail or SMS to unitholders of that particular Scheme.

Benchmark: MSCI AC World TRI



Data as on 31 December '21, Source: HSBC Asset Management

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Mutual fund investments are subject to market risks, read all scheme related documents carefully.